

IGB REIT

(5227 | IGBREIT MK) Main | REIT

Decent Earnings

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings within expectations**
- **Decent earnings**
- **Earnings forecast unchanged**
- **Positive earnings prospect**
- **Maintain BUY with an unchanged TP of RM1.86**

9MFY23 earnings within expectations. IGB REIT 9MFY23 core net income of RM266.1m came in within expectations, making up 75% and 74% of our and consensus full year estimates. Note that we have excluded fair value gain on its investment properties of RM161.8m in our core net income calculations. Meanwhile, IGB REIT announced distribution per unit (DPU) of 2.6sen (ex-date: 26th October 2023) for 3QFY23, bringing cumulative DPU to 7.77sen in 9MFY23.

Decent earnings. Sequentially, 3QFY23 core net income was higher at RM88.9m (+9.9%qoq), in line with higher topline (+5.8%qoq). Earnings growth could be attributed to higher shopper footfall and positive rental reversion. Meanwhile, earnings growth was partly supported by lower utilities expenses (-5.9%qoq). On yearly basis, 3QFY23 core net income was higher (+6.7%yoy), bringing cumulative core net income in 9MFY23 higher at RM266.1m (+5.5%yoy). The earnings growth was mainly supported by higher tenant sales and positive rental reversion as a result of high shopper footfall at Mid Valley Megamall and The Gardens Mall. Nevertheless, earnings growth was partly offset by the higher utility expenses (+29.9%yoy) and higher other expenses.

Positive earnings prospect. We maintain our earnings forecast for FY23F/24F/25F. We continue to see positive earnings prospect for IGB REIT due to the stable performance of Mid Valley Megamall and The Gardens Mall. The two malls continue to enjoy close to 100% occupancy rate and strong shopper footfall which will support rental income growth going forward.

Maintain BUY with unchanged TP of RM1.86. We maintain our **TP** for IGB REIT at **RM1.86**, based on Dividend Discount Model (DDM). We see IGB REIT as a solid retail REIT with good quality retail assets that will drive earnings to grow steadily in the medium to long term. Hence, we maintain our BUY call on IGB REIT. Meanwhile, distribution yield is estimated at 4.9%.

Maintain BUY
Unchanged Target Price: RM1.86

RETURN STATISTICS

Price @ 13 th Oct 2023 (RM)	1.70
Expected share price return (%)	9.4
Expected dividend yield (%)	4.9
Expected total return (%)	14.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.0	4.1
3 months	1.2	-0.5
12 months	7.6	3.0

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	606	626	643
Net Rental Income	453	470	482
Net Investment Income	461	478	493
Core Net Income	357	373	385
Core EPU (sen)	9.95	10.41	10.74
Net DPU (sen)	9.13	9.54	9.84
Dividend Yield	4.90%	5.61%	5.79%

KEY STATISTICS

FBM KLCI	1,444.14
Issue shares (m)	3586.91
Estimated free float (%)	20.03
Market Capitalisation (RM'm)	6,116
52-wk price range	RM1.5– RM1.78
3-mth average daily volume (m)	0.89
3-mth average daily value (RM'm)	1.48
Top Shareholders (%)	
IGB Berhad	48.19
EPF	11.57
KWAP	7.37
IGB REIT MGMT Sdn Bhd	5.50

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IGB REIT: 3QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	%YoY	%QoQ	FY23	%YoY
Gross Revenue	149.7	6.8%	5.8%	445.8	9.4%
Net Property Income (NRI)	111.3	10.0%	8.3%	332.6	5.7%
Net Investment Income	274.8	158.9%	164.5%	498.2	55.5%
Net Income	250.7	200.7%	209.7%	427.9	69.7%
Core Net Income (CNI)	88.9	6.7%	9.9%	266.1	5.5%
Realised EPU (sen)	7.0	199.5%	209.4%	11.9	68.9%
Core EPU (sen)	2.5	6.2%	9.7%	7.4	5.1%
Gross DPU (sen)	2.6	6.6%	9.7%	7.8	5.0%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Gross Revenue	400	556	606	626	643
Net Rental Income	275	420	453	470	482
Net Investment Income	284	488	461	478	493
Net Income	200	396	357	373	385
Core Net Income	200	336	357	373	385
Core EPU (sen)	5.6	9.4	10.0	10.4	10.7
Core PER (x)	30.2	18.1	18.9	16.3	15.8
NAV/unit (RM)	1.07	1.08	1.08	1.09	1.10
P/NAV (x)	1.59	1.58	1.57	1.56	1.54
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment Properties	4960	5020	5070	5121	5147
Total non-current assets	4963	5022	5071	5122	5148
Cash	223	258	274	327	432
Other Assets	47	37	61	35	13
Total Assets	5233	5318	5406	5484	5592
LT Borrowings	0	1199	1199	1199	1259
ST Borrowings	1215	15	5	37	38
Other Liability	214	48	55	63	63
Total Liability	1429	1447	1531	1571	1640
Unitholders' capital	4502	4526	4526	4526	4526
Other Equity	-697	-655	-650	-612	-574
Total Equity	3805	3871	3876	3913	3952
Equity + Liability	5233	5318	5406	5484	5592
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	200	396	357	373	385
Net cash from operating activities	257	425	470	491	507
Cash flows from investing activities					
Interest received	9	7	7	8	7
Net cash used in investing activities	8	6	-4	-3	-5
Cash flows from financing activities					
Net cash from/(used in) financing activities	-265	-397	-442	-413	-398
Net increase/(decrease) in cash and cash equivalents	1	35	25	75	105
Cash and cash equivalent at 1 January	193	193	228	253	327
Cash and cash equivalent at 1 December	193	228	253	327	432
Profitability Margins	2021A	2022A	2023E	2024F	2025F
Net Investment Income margin	71.0%	87.7%	76.0%	76.3%	76.7%
Core net income margin	50.1%	60.4%	58.9%	59.6%	60.0%
ROE	5.3%	8.8%	9.2%	9.6%	9.8%
ROA	3.8%	6.4%	6.7%	6.9%	7.0%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology